



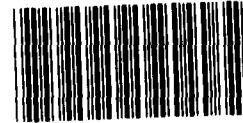
COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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B-199745

SEPTEMBER 1, 1983

The Honorable Howard S. Liebengood
Sergeant at Arms
United States Senate



122255

Dear Mr. Liebengood:

Subject: Examination of the Senate Recording and Photographic Studios Revolving Fund's Financial Statements for the Fiscal Years Ended March 31, 1983 and 1982 (GAO/AFMD-83-90)

Pursuant to your March 4, 1983, request, we have examined the balance sheets of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1983 and 1982, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1983 and 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements applied on a consistent basis.

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Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and our comments on the Senate Recording and Photographic Studios Revolving Fund's operations. Enclosures III through VI present the fund's financial statements and accompanying notes for the years ended March 31, 1983 and 1982.

Sincerely yours,

Acting Comptroller General
of the United States

Enclosures

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REPORT ON INTERNAL ACCOUNTING CONTROLS
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Senate Recording and Photographic Studios Revolving Fund for the years ended March 31, 1983 and 1982. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting control, and our review of compliance with laws and regulations for the year ended March 31, 1983.

As part of our examination, we made a study and evaluation of the Senate Recording and Photographic Studios Revolving Fund's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Senate Recording and Photographic Studios Revolving Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Receipts
- Disbursements
- Equipment
- Supplies

Our study included all of the control categories listed above.

The management of the Senate Recording and Photographic Studios Revolving Fund is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Senate Recording and Photographic Studios Revolving Fund taken as a whole or on any of the categories of controls identified in the third paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We reviewed the provisions of applicable laws and regulations to determine the material compliance requirements that may have a financial impact on the Senate Recording and Photographic Studios Revolving Fund's financial statements. In our opinion, the Senate Recording and Photographic Studios Revolving Fund complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON OPERATIONS OF THE
SENATE RECORDING AND PHOTOGRAPHIC STUDIOS
REVOLVING FUND

The Senate Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The Studio, operated by the Sergeant at Arms and Doorkeeper of the Senate under the direction and control of the Senate Committee on Rules and Administration, films and tapes (video and audio) for the Vice President, Senators, and committees of the Senate. The charges for these services are set by the Committee on Rules and Administration.

The Senate Photographic Studio was established pursuant to section 108 of the Supplemental Appropriations and Rescission Act, 1980 (2 U.S.C. 123b-1). The Studio, operated by the Sergeant at Arms and Doorkeeper of the Senate subject to the approval of the majority and minority leaders, provides photographs and photographic services to members of the Senate and committees of the Senate. A fee schedule for these services has been approved by the majority and minority leaders.

The Studios' operations are financed from a revolving fund and from funds appropriated to the Secretary of the Senate. All moneys received from operations are deposited in the revolving fund and are available for the operation of the Studios. Employee salaries and benefits and certain other operating expenses, such as utilities, are paid from appropriated funds. These expenses are neither recorded in the Studios' accounting records nor included in determining the results of the Studios' operations.

For the year ended March 31, 1983, the revolving fund's net income was \$28,496 for the combined operation compared to a net income of \$49,516 for the year ended March 31, 1982.

The 1983 net income consisted of a profit of \$63,824 from Recording Studio activities--\$25,449 less than the 1982 profit--and a loss of \$35,328 from Photographic Studio activities--\$4,429 less than the 1982 loss.

For the Recording Studio, profits from radio activities declined 44 percent--from \$32,966 in 1982 to \$18,444 in 1983. The profit from video activities was \$45,380 in 1983 compared to a profit of \$56,307 in 1982, a downturn of about 19 percent. The changes resulted primarily from decreased sales.

The loss from Photographic Studio activities in 1983 was somewhat lower--\$35,328 in 1983 compared to \$39,757 in 1982. However, in view of the Photographic Studio's continuing losses, the schedule of charges for photographs and services apparently should be examined and possibly increased.

SENATE RECORDING AND PHOTOGRAPHIC STUDIOSREVOLVING FUNDCOMPARATIVE BALANCE SHEETMARCH 31, 1983 AND 1982

A S S E T S

	<u>1983</u>	<u>1982</u>
CURRENT ASSETS:		
Cash (in U.S. Treasury) (note 1)	\$ 717,138	\$ 598,133
Accounts receivable (note 2)	59,843	71,067
Inventory of materials and supplies, at cost	<u>29,780</u>	<u>31,388</u>
Total current assets	<u>806,761</u>	<u>700,588</u>
FIXED ASSETS:		
Equipment (notes 3 and 4)	1,377,555	1,469,870
Less accumulated depreciation (note 1)	<u>845,206</u>	<u>880,433</u>
Total	<u>532,349</u>	<u>589,437</u>
Recording Studio facilities	531,896	531,896
Less accumulated depreciation (note 1)	<u>336,206</u>	<u>309,610</u>
Total	<u>195,690</u>	<u>222,286</u>
Tools and minor equipment	<u>750</u>	<u>750</u>
Total fixed assets	<u>728,789</u>	<u>812,473</u>
TOTAL ASSETS	<u>\$1,535,550</u>	<u>\$1,513,061</u>

L I A B I L I T I E S A N D
G O V E R N M E N T E Q U I T Y

CURRENT LIABILITIES:		
Accounts payable	\$ <u>5,769</u>	\$ <u>11,702</u>
GOVERNMENT EQUITY:		
Contributed capital	183,619	183,619
Standby equipment donated (note 3)	<u>18</u>	<u>92</u>
Total	<u>183,637</u>	<u>183,711</u>
Excess of revenue over costs:		
Balance prior years	1,317,648	1,268,132
Fiscal year income (loss)	<u>28,496</u>	<u>49,516</u>
Total	<u>1,346,144</u>	<u>1,317,648</u>
Total capital and excess of revenue over costs	<u>1,529,781</u>	<u>1,501,359</u>
TOTAL LIABILITIES AND GOVERNMENT EQUITY	<u>\$1,535,550</u>	<u>\$1,513,061</u>

The accompanying notes are an integral part of this statement.

SENATE RECORDING AND PHOTOGRAPHIC STUDIOSREVOLVING FUNDCOMPARATIVE STATEMENT OF OPERATIONSFOR FISCAL YEARS ENDED MARCH 31, 1983 AND 1982

	<u>Total</u>		<u>Recording Studio</u>				<u>Photographic Studio</u>	
			<u>Radio</u>		<u>Video</u>			
	<u>FY 1983</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1982</u>
REVENUE:								
Sales	<u>\$281,814</u>	<u>\$335,792</u>	<u>\$65,246</u>	<u>\$82,783</u>	<u>\$148,519</u>	<u>\$189,911</u>	<u>\$68,049</u>	<u>\$63,098</u>
COSTS:								
Radio, video, and photo- graphic materials	104,053	125,949	24,095	27,564	23,344	32,443	56,614	65,942
Maintenance and repairs	23,975	19,330	1,682	2,236	17,344	12,447	4,949	4,647
Maintenance supplies	770	414	385	207	385	207	-	-
Office sup- plies and miscellaneous expenses	2,352	2,713	738	451	738	451	876	1,811
Outside proc- essing of film	2,264	3,060	-	-	25	143	2,239	2,917
Depreciation of equipment	105,753	108,544	6,605	6,062	60,329	74,616	38,819	27,866
Depreciation of Recording Studio facilities	<u>26,594</u>	<u>26,594</u>	<u>13,297</u>	<u>13,297</u>	<u>13,297</u>	<u>13,297</u>	<u>-</u>	<u>-</u>
Total costs	<u>265,761</u>	<u>286,604</u>	<u>46,802</u>	<u>49,817</u>	<u>115,462</u>	<u>133,604</u>	<u>103,497</u>	<u>103,183</u>
Net profit or (loss) from operations	<u>\$ 16,053</u>	<u>\$ 49,188</u>	<u>\$18,444</u>	<u>\$32,966</u>	<u>\$33,057</u>	<u>\$ 56,307</u>	<u>\$(35,448)</u>	<u>\$(40,085)</u>
Other income	120	-	-	-	-	-	120	-
EQUIPMENT DISPOSALS:								
Gain on dis- posal of equipment	<u>12,323</u>	<u>328</u>	<u>-</u>	<u>-</u>	<u>12,323</u>	<u>-</u>	<u>-</u>	<u>328</u>
NET PROFIT OR (LOSS)	<u>\$ 28,496</u>	<u>\$ 49,516</u>	<u>\$18,444</u>	<u>\$32,966</u>	<u>\$45,380</u>	<u>\$ 56,307</u>	<u>\$(35,328)</u>	<u>\$(39,757)</u>

The accompanying notes are an integral part of this statement.

SENATE RECORDING AND PHOTOGRAPHIC STUDIOSREVOLVING FUNDCOMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE FISCAL YEARS ENDED MARCH 31, 1983 AND 1982

	<u>1983</u>	<u>1982</u>
FUNDS PROVIDED:		
Sales	\$ 281,814	\$ 335,792
Gain on disposal of equipment	12,323	328
Other Income	<u>120</u>	<u>-</u>
Total funds provided	<u>\$ 294,257</u>	<u>\$ 336,120</u>
FUNDS APPLIED:		
Costs (excluding depreciation and other items not requiring outlay of funds)	\$ 133,414	\$ 151,466
Net equipment additions	48,737	93,153
Increase in working capital	<u>112,106</u>	<u>91,501</u>
Total funds applied	<u>\$ 294,257</u>	<u>\$ 336,120</u>

Analysis of changes in working capital
for fiscal 1983 and 1982

	<u>Increase or (decrease) in working capital</u>	
	<u>1983</u>	<u>1982</u>
WORKING CAPITAL CHANGES:		
Cash	\$ 119,005	\$ 68,237
Accounts receivable	(11,224)	16,287
Inventory of materials and supplies	(1,608)	(1,102)
Accounts payable	<u>5,933</u>	<u>8,079</u>
INCREASE OR (DECREASE) IN WORKING CAPITAL	<u>\$ 112,106</u>	<u>\$ 91,501</u>

The accompanying notes are an integral part of this statement.

SENATE RECORDING AND PHOTOGRAPHIC STUDIOSREVOLVING FUNDSIGNIFICANT ACCOUNTING POLICIESANDNOTES TO FINANCIAL STATEMENTSFISCAL YEARS ENDED MARCH 31, 1983 AND 1982

1. Significant Accounting Policies

The Senate Recording and Photographic Studios are financed from a revolving fund and from funds appropriated to the Secretary of the Senate. All moneys received from operations are deposited in a revolving fund in the U.S. Treasury and are available for the operation of the Studios.

The Senate Recording Studio was changed to the Senate Recording and Photographic Studios pursuant to section 108 of the Supplemental Appropriations and Rescission Act, 1980 (2 U.S.C. 123b-1). The Photographic Studio began operating as a part of the revolving fund in October 1980.

The Comparative Statement of Operations does not include employee salaries, which were \$560,185 for the Recording Studio (\$550,487 for the fiscal year ended March 31, 1982) and \$311,283 for the Photographic Studio (\$304,685 for the fiscal year ended March 31, 1982); employee benefits; or certain other benefits or services, such as space, building repairs and maintenance, and utilities. All these expenses are paid from appropriated funds and are neither recorded in the Studios' accounting records nor charged to the revolving fund.

Inventories are stated at cost and are charged to operations using the first-in, first-out method of cost flow.

Equipment in the Recording Studio is depreciated over a 10-year life and equipment in the Photographic Studio is depreciated over a 5-year life. Both Studios use the straight-line method.

2. Accounts receivable from Senators, committees, and the Keeper of Stationery amounted to \$59,843 (Recording Studio, \$42,353; Photographic Studio, \$17,490) at March 31, 1983--a decrease of \$11,224 from the amount receivable at March 31, 1982. An analysis of the ages of the accounts receivable at March 31, 1983 and 1982 follows.

Recording Studio

<u>Days outstanding</u>	<u>March 31, 1983</u>		<u>March 31, 1982</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1 through 59	\$37,186	87.8	\$46,983	81.2
60 through 89	2,934	6.9	1,693	2.9
90 through 119	436	1.0	3,155	5.4
120 or more	<u>1,797</u>	<u>4.3</u>	<u>6,071</u>	<u>10.5</u>
Total	<u>\$42,353</u>	<u>100.0</u>	<u>\$57,902</u>	<u>100.0</u>

Photographic Studio

<u>Days outstanding</u>	<u>March 31, 1983</u>		<u>March 31, 1982</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1 through 59	\$13,227	75.6	\$ 9,562	72.7
60 through 89	1,005	5.8	783	6.0
90 through 119	906	5.2	553	4.2
120 or more	<u>2,352</u>	<u>13.4</u>	<u>2,267</u>	<u>17.1</u>
Total	<u>\$17,490</u>	<u>100.0</u>	<u>\$13,165</u>	<u>100.0</u>

As of June 1, 1983, \$34,448, or 81 percent, of the Recording Studio's accounts receivable balance had been paid, and \$11,019, or 63 percent, of the Photographic Studio's accounts receivable balance had been paid.

The Recording Studio writes a monthly letter to the Senate Sergeant at Arms listing all Senators with outstanding accounts of \$1,000 or more. This is in accord with the policy established by the Senate Committee on Rules and Administration.

3. The estimated value of video equipment obtained from the General Services Administration at no cost is included at a value of \$18 and \$92 at March 31, 1983, and March 31, 1982, respectively.
4. A summary of the changes in the equipment account for the 12 months ended March 31, 1983, follows.

<u>Equipment</u>	<u>Balance March 31, 1982</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 1983</u>
Recording Studio:				
Radio	\$ 70,461	\$ 531	\$ 235	\$ 70,757
Video	1,231,785	24,260	142,995	1,113,050
Office	<u>-</u>	<u>20,839</u>	<u>-</u>	<u>20,839</u>
Total	\$1,302,246	\$45,630	\$143,230	\$1,204,646
Photographic Studio	<u>167,624</u>	<u>5,285</u>	<u>-</u>	<u>172,909</u>
Total	<u>\$1,469,870</u>	<u>\$50,915</u>	<u>\$143,230</u>	<u>\$1,377,555</u>